

Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Special meeting, George J. Tomasovic, Chairman, presiding:

ROLL CALL

Board Members

Present: Jerry R. Allen, Samuel L. Friar, Scott Griggs, Delia D. Jasso, Sheffield Kadane, John M. Mays, Richard A. Salinas, George J. Tomasovic, Steven H. Umlor, Richard H. Wachsman, Thomas White, Dan Wojcik

Absent: None

Staff

Richard Tettamant, Don Rohan, Brian Blake, Mike Taylor, Josh Mond, John Holt, Jerry Chandler, Corina Terrazas Pat McGennis, Larry Landfried, Christina Wu, Greg Irlbeck, Ryan Wagner, Linda Rickley

Others

Anthony Chan, Sheila Asher, Alex Leonard, Michael Smith, Neil Z. Auerbach, Larry L. Henry, Eric Perreca, Terry Gottberg, Meghan L. Cuddihy, Arthur Hollingsworth, Ellen Billings, John McGuire, Will Walters, Adrian Ocegueda, Bryan Grabowsky, Alek Blankenau, Owen Jones, Kevin W. Lynch, Richard W. Brown, R. Scott Dennis, Mike Sobolik, Paul B. Nelson, Chris Cleghorn, Ken Cooley, Jon Donahue, Brent Kroener, Michael Ebert, Steve Maun, John H. (Jack) Matthews, Kristian Teleki, Bill Criswell, Steven Sandborg, Greg Greene, Katie Sibley, Jane Hensley, Gary Jacobson, Michael Granberry, Rebecca Shaw, C. D. Cantrell, Scott Ogden, Lyle Burgin, John Sughrue, Scott Dilloff, Antonio Alvarez-Cedron, Jason Sipes, Javier Díez Gala, Gerard (Jerry) Branka, Stephen (Steve) Benjamin, David Driscoll, David Kent, Kai Petersen, Scott Mallonee, Bill Miller, Clint Smith, Eddie Solis, Robert Miller, Senator John Whitmire, Yuniedth Midence-Steen, Gardner Pate, Gary Lawson, Richard M. Charlton, Rhett Humphreys, Keith Stronkowsky, Jeffrey E. Roberts

* * * * *

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

The meeting was called to order at 11:45 a.m. on Monday, October 22, 2012.

* * * * *

OPENING SESSION

1. Welcome

Mr. Tettamant, Administrator, and Mr. Tomasovic, Chairman, welcomed the participants to the 2012 Annual Board and Staff Workshop.

No motion was made.

* * * * *

The meeting was recessed at 11:46 a.m.

The meeting was reconvened at 12:50 a.m.

* * * * *

2. Keynote Discussion: Generating returns in 2013

J.P. Morgan

Anthony Chan, Chief Economist for Private Wealth Management of J.P. Morgan, lead the keynote discussion covering the Workshop theme: "Generating Returns in 2013." Sheila Asher, Vice President, Relationship Manager; Alex Leonard, Managing Director; and Michael Smith, Executive Director of J.P. Morgan, also were present from J.P. Morgan.

After discussion, Mr. Mays made a motion to receive and file the J.P. Morgan presentation. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 2:29 p.m.

The meeting was reconvened at 3:00 p.m.

* * * * *

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

OPENING SESSION (continued)

3. Clean/Cleaner Energy Panel

Neil Auerbach, Founder and Co-Managing Partner of Hudson Clean Energy, Eric Perreca, Managing Director, of Hunt Alternative Energy Investments, and Terry Gottberg, President of Merit Energy, participated in a panel discussion focused on investing in Clean and Cleaner Energy and the bearing it will have on generating returns in 2013. Also present were Larry Henry, Partner, Head of Investor Relations, of Hudson Clean Energy Partners, L.P., Meghan Cuddihy, Vice President of Investor Relations, Merit Energy Company, and Alex Christian, Merit Energy Company.

a. Hudson Clean Energy Partners, L.P.

Hudson Clean Energy invests in wind, solar, energy smart technologies, biomass, clean fuels, small hydro, and geothermal.

b. Hunt Alternative Energy

Hunt Investment Management, the parent company of Hunt Alternative Energy Investments, manages an apartment portfolio in Austin, TX for the System. Hunt Alternative Energy specializes in developing and managing solar and clean energy generation projects.

c. Merit Energy Company

Merit Energy is one of the System's Private Equity energy managers with investments directed toward oil and gas production.

After discussion, Mr. Mays made a motion to receive and file the Clean/Cleaner Energy Panel discussion. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 4:30 p.m.

The meeting was reconvened at 5:01 p.m.

* * * * *

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

4. Lone Star Investment Advisors

Arthur Hollingsworth, Managing Partner; Ellen Billings, Chief Financial Officer; John McGuire, Director of Operations; Will Walters, Vice President; Adrian Ocegueda, Vice President; Bryan Grabowsky, Senior Associate; Alek Blankenau, Senior Analyst; Owen Jones, Financial Analyst, were present and provided fund updates and commentary concerning generating returns in 2013.

After discussion, Mr. Mays made a motion to receive and file the reports by Lone Star Investment Advisors. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 5:34 p.m. on Monday, October 22, 2012

The meeting was reconvened at 8:30 a.m. on Tuesday, October 23, 2012

* * * * *

REAL ESTATE INVESTMENTS

5. Reports and recommendations of The Townsend Group

- a. Generating returns in 2013
- b. The Townsend Group company update
- c. Second Quarter 2012 Performance Report
- d. Market update

Kevin Lynch, Principal, and Richard Brown, Principal, from the Townsend Group, the System's real estate investment consultant, were present to discuss a Townsend Group company update, an educational session on the strategic role of real estate, the 2012 second quarter real estate performance report and a market update.

After discussion, Mr. Mays made a motion to receive and file the reports and recommendations from the Townsend Group. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 10:06 a.m.

The meeting was reconvened at 10:16 a.m.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

* * * * *

REAL ESTATE INVESTMENTS (continued)

6. Invesco Real Estate

Generating returns in 2013

R. Scott Dennis, Managing Director and Chief Executive Officer; Mike Sobolik, Senior Director of Research, North America; Paul B. Nelson, Director and Portfolio Manager; and Chris Cleghorn, Associate Portfolio Manager, were present and discussed strategies for generating returns given the current real estate market.

After discussion, Mr. Wachsman made a motion to receive and file the reports by Invesco Real Estate. Mr. Mays seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 11:53 a.m.

The meeting was reconvened at 1:00 p.m.

* * * * *

7. CDK Realty Advisors

RED Consolidated Holdings, LLC

Ken Cooley, Jon Donahue, and Brent Kroener, Principals of CDK Realty Advisors, and Michael Ebert, Managing Partner, and Steve Maun, Managing Partner and President, both of RED Consolidated Holdings, LLC, were present to discuss the status of the existing portfolio and plans for future activities with regard to that portfolio.

After discussion, Mr. Umlor made a motion to receive and file reports from CDK Realty Advisors and RED Consolidated Holdings, LLC. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

* * * * *

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

The meeting was recessed at 1:53 p.m.

The meeting was reconvened at 2:20 p.m.

* * * * *

REAL ESTATE INVESTMENTS (continued)

8. City of Dallas property update/tour

- a. 2112 Flora
- b. 2901 S. Lamar
- c. 1610 S. Ervay
- d. 1400 Belleview
- e. 1325 S. Lamar

Jack Matthews, President of Matthews Southwest, and Arthur Hollingsworth, Managing Partner, Lone Star Investment Advisors, conducted a City of Dallas property update and tour.

Mr. Salinas made a motion to receive and file all discussion and presentations regarding the City of Dallas property update and tour. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

* * * * *

9. Address by Matthews Southwest President

Vision for Dallas in 2013 and beyond

Mr. Matthews, discussed his vision for Dallas in 2013 and beyond.

Mr. Salinas made a motion to receive and file the address by Mr. Matthews. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

* * * * *

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

The meeting was recessed at 7:30 p.m. on Tuesday, October 23, 2012

The meeting was reconvened at 8:39 a.m. on Thursday, October 25, 2012

* * * * *

GENERAL INVESTMENTS

10. LBJ Express project due diligence

- a. Project overview presentation
- b. Project site due diligence

Antonio Alvarez-Cedron, Chief Executive Officer; Jason Sipes, Chief Operating Officer; and Javier Díez Gala, Construction Manager, of the LBJ Infrastructure Group, were present to discuss the LBJ Express project. The company executives lead an on-site review of the entire project scope, including an on-site examination of the Administration and Maintenance facilities.

After discussion, Mr. Salinas made a motion to receive and file the reports from the LBJ Infrastructure Group. Mr. Mays seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 11:45 a.m.

The meeting was reconvened at 12:31 p.m.

* * * * *

BOARD INITIATIVES

11. Pension System strategic plan

The Administrator and staff discussed with the Board contingency plans for the System's investment portfolio in the event of a prolonged market downturn or drastic market shifts.

After discussion, Mr. Mays made a motion to receive and file the strategic plan discussion and continue further study of the topic. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

* * * * *

GENERAL INVESTMENTS (continued)

12. Pyramis Global Advisors

Generating returns in 2013

Jerry Branka, Senior Vice President, and Stephen Benjamin, Vice President of Market and Business Intelligence, Pyramis Global Advisors, were present to discuss the changing landscape of asset allocation from the perspective of their clients.

After discussion, Mr. Wachsman made a motion to receive and file the reports from Pyramis Global Advisors. Mr. Mays seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 1:56 p.m.

The meeting was reconvened at 2:22 p.m.

* * * * *

BOARD INITIATIVES (continued)

13. Business continuity review

Mr. Tettamant, Administrator, Mr. Taylor, Chief Financial Officer, and Mr. Holt, Information Technology Manager, reviewed the System's Business Continuity Plan. The review highlighted major features of the plan.

After discussion, Mr. Salinas made a motion to receive and file the business continuity review. Mr. Mays seconded the motion, which was unanimously approved by the Board.

* * * * *

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

14. Internal controls review

Mr. Tettamant, Mr. Taylor, and Mr. Rohan, Assistant Administrator for Operations, reviewed the System's Internal Controls procedures and briefed the Board on current status and changes made during the last year. Staff reviewed a short presentation detailing how internal controls are utilized in certain payroll processes.

After discussion, Mr. Salinas made a motion to receive and file the internal controls review. Mr. Mays seconded the motion, which was unanimously approved by the Board.

* * * * *

15. 2013 Board meetings

Staff presented a proposed 2013 Board meeting calendar and options for the 2013 Board and Staff Workshop venue.

After discussion, Mr. Salinas made a motion approve the proposed Board meeting calendar and to direct the staff to make arrangements with The Cliffs at Possum Kingdom for October 28 - 31, 2013, for the 2013 workshop. Mr. Mays seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 3:09 p.m.

The meeting was reconvened at 5:30 p.m.

* * * * *

GENERAL INVESTMENTS (continued)

16. Presentation to State Representative Vicki Truitt

The Board, staff, and others thanked State Representative Vicki Truitt for her support of public pension systems and made a special presentation to her.

No motion was made.

* * * * *

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

The meeting was recessed at 8:15 p.m. on Thursday, October 25, 2012

The meeting was reconvened at 8:31 a.m. on Friday, October 26, 2012

* * * * *

The Board went into a closed executive session – legal at 8:31 a.m. for reconsideration of Item #8, which previously had been discussed on Tuesday, October 23.

The meeting was reopened at 9:35 a.m.

Mr. Wachsman made a motion for the Board to adopt the following resolution:

RESOLVED, that the Board of Trustees of the Dallas Police and Fire Pension System fully supports the Administrator in continuing to manage the System’s investment in Museum Tower and attempting to resolve the current dispute between Museum Tower and the Nasher Sculpture Center.

Mr. Friar seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 9:38 a.m.

The meeting was reconvened at 9:45 a.m.

* * * * *

BOARD INITIATIVES (continued)

17. Plan amendment

- a. Plan amendment process
- b. Possible plan amendments

The Board and staff discussed the item. The Chairman will form a Committee to study the issues.

After discussion, Mr. Umlor made a motion to receive and file the Plan amendment discussion. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

* * * * *

ACTUARIAL ISSUES

18. Reports and recommendations of actuarial consultant

- a. Projection of year-end funding
 - b. Review and recommendation regarding actuarial assumptions
 - c. GASB rules update
-
- a. David Driscoll, David Kent, and Kai Petersen of Buck Consultants, the System's actuary, reviewed a projection of the System's actuarial valuation as of January 1, 2013, focusing on funding to amortize the Unfunded Actuarial Accrued Liability (UAAL).
 - b. Mr. Driscoll reviewed the actuarial assumptions adopted by the Board, including a review from the January 1, 2012, actuarial valuation of current demographic and economic assumptions with a comparison of actual experience to actuarial expectations. Buck Consultants stated that the Pension System has an expected averaged 30-year investment return of 9.79%.

After discussion, Mr. Salinas made a motion to receive and file the Buck reports on the year-end funding projection and the actuarial assumptions. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

- c. Mr. Driscoll gave an update to the Board on the status of GASB rule changes and reviewed implications of the proposed changes on System funding and reporting.

After discussion, Mr. Mays made a motion to receive and file the GASB rules update. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 10:47 a.m.

The meeting was reconvened at 10:57 a.m.

* * * * *

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

LEGISLATIVE ISSUES

19. Reports and recommendations of Hillco Partners and Locke Lord LLP

- a. 2012 Federal and State elections and Texas State legislative impact
- b. Retirement landscape in Texas

- a. Senator John Whitmire, Robert Miller, Yuniedth Midence-Steen, and Gardner Pate, of Locke Lord LLP, discussed possible changes, prospects and outcomes for the 2012 state and federal elections.
- b. Buddy Jones, Bill Miller, Clint Smith, and Eddie Solis, of Hillco Partners, discussed the political landscape pertaining to pensions.

After discussion, Mr. Umlor made a motion to receive and file the presentations by Hillco Partners and Locke Lord LLP. Mr. Friar seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 11:48 a.m.

The meeting was reconvened at 12:32 p.m.

* * * * *

GENERAL INVESTMENTS (continued)

20. Reports and recommendations of NEPC

- a. Address by NEPC Chairman
- b. Market update
- c. Quarterly portfolio review
- d. Private markets review

Dick Charlton, Chairman, Rhett Humphreys, Partner, Keith Stronkowsky, Consultant, and Jeff Roberts, Research Consultant, from NEPC, the System's general investment consultant, were present to discuss various reports and recommendations. NEPC Chairman, Dick Charlton, gave commentary on the NEPC outlook for the coming year. NEPC also provided a quarterly portfolio review for the second quarter of 2012. The Private Markets review covered the first quarter of 2012.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

* * * * *

The meeting was recessed at 2:25 p.m.

The meeting was reconvened at 2:36 p.m.

* * * * *

GENERAL INVESTMENTS (continued)

20. Reports and recommendations of NEPC (continued)

After discussion, Mr. Umlor made a motion to receive and file the reports and recommendations from NEPC. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

* * * * *

The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Umlor and a second by Mr. Salinas, the meeting was adjourned at 3:30 p.m.

[signature]

George J. Tomasovic
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 22, 2012 - Friday, October 26, 2012**

THIS PAGE WAS INTENTIONALLY LEFT BLANK